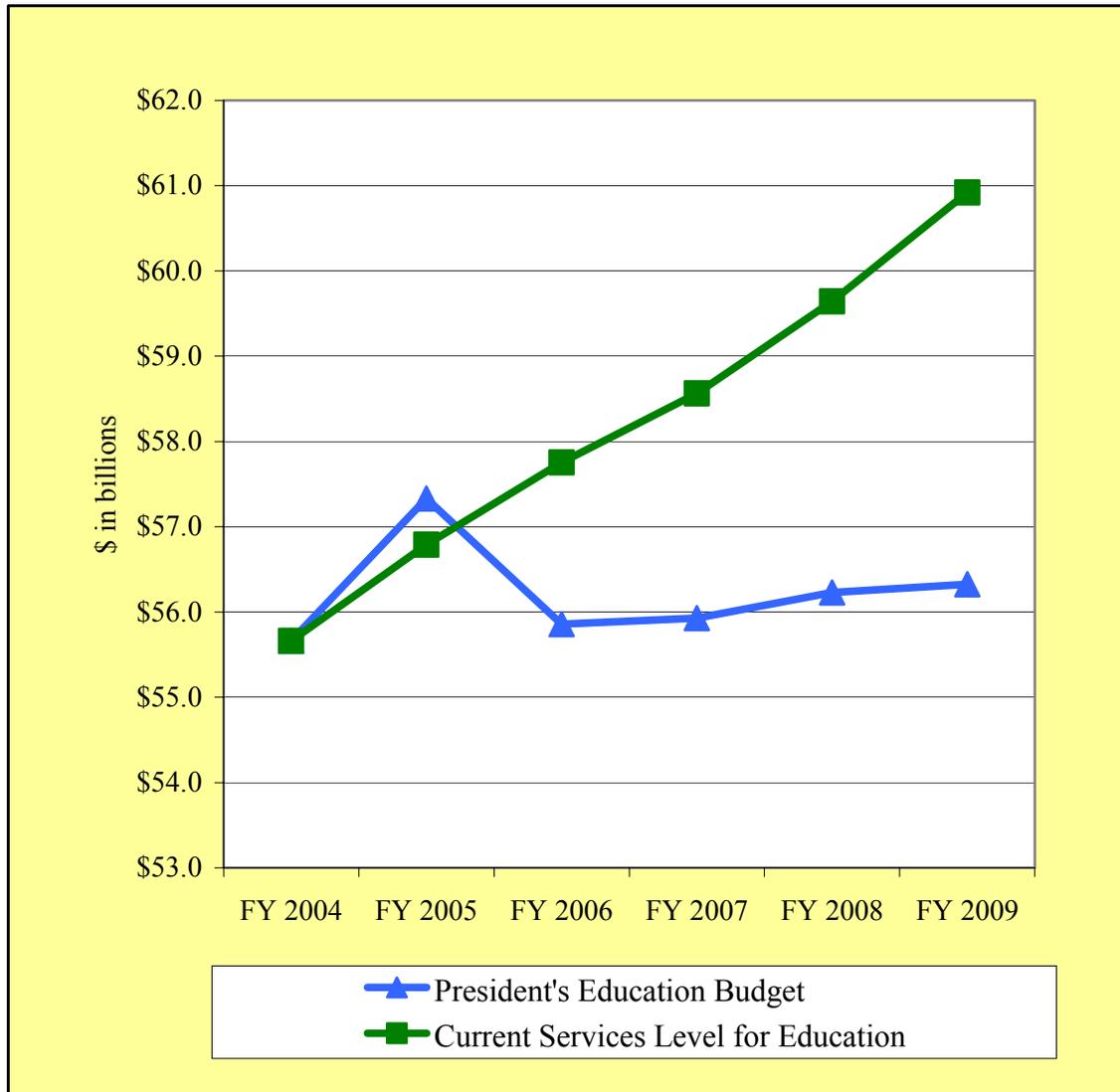


***LEAVING THE EDUCATION BUDGET BEHIND:  
THE PRESIDENT'S LONG-TERM PLAN  
FOR EDUCATION FUNDING***



A Report Prepared by the Democratic Staff  
of the House Appropriations Committee  
March 11, 2004

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Administration officials have touted the education increase in the President's FY 2005 budget as the largest for any domestic agency. While education programs fare modestly better in this year's budget than other domestic programs held to a freeze, there is little reason to celebrate. The Administration's FY 2005 education request falls billions below the amounts promised in the No Child Left Behind Act for remedial education for disadvantaged children, teacher training and technology, and student testing. It also fails to provide adequate college assistance.

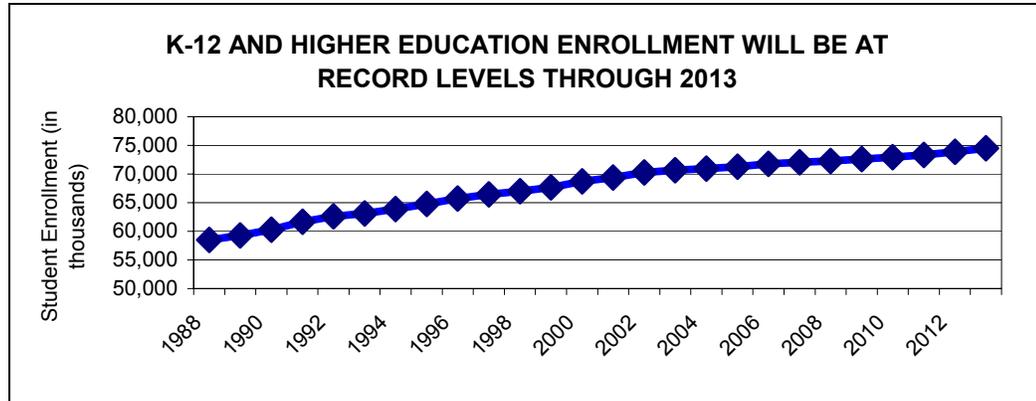
***An Election-Year Spike in Education Funding***

The outlook for federal education investments under the Administration's long-term budget plan is grim. When the fine print in the OMB budget tables is examined, education funding, like the rest of the domestic discretionary budget except for homeland security, will take a sharp turn downward after FY 2005. *Discretionary education programs increase by \$1.7 billion in Administration's FY 2005 budget, under consideration in Congress during the 2004 election year, but under the Administration's long-term budget, \$1.5 billion of this increase disappears the very next year.* Thereafter, discretionary education funding continues at a diminished level through FY 2009.

<b>The Administration's Long-Term Education Budget FY 2005 – FY 2009</b>					
	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<i>\$ in billions</i>					
Administration Education Budget	\$57.3	\$55.9	\$55.9	\$56.2	\$56.3
<i>Compared with FY 2005</i>					
<i>Dollars</i>	--	-\$1.5	-\$1.4	-\$1.1	-\$1.0
<i>Percent</i>	--	-2.6%	-2.4%	-1.9%	-1.8%

A more complete analysis of the impact of the Administration's education budget policies on the nation's public schools, colleges and universities after FY 2005 would take into account future increases in the cost of textbooks and technology, teacher and faculty salaries, and other goods and services. It would also consider the rapidly growing numbers of students attending classes. This is important because education enrollments – both at the K-12 and postsecondary levels – will continue at record levels throughout the decade. The following analysis compares the Administration's long-term education

budget to current services levels; in this instance, the amounts needed to maintain the current level of educational services after adjusting for both inflation *and* enrollment growth.<sup>1</sup>



***Education Cuts Below Current Services Begin in FY 2006***

Despite its rhetorical support for education, the reality is that the Administration’s out-year budgets mean steep reductions in discretionary education funding below current services levels beginning with a \$1.9 billion cut in FY 2006. By FY 2009, the discretionary education budget will be cut by \$4.6 billion below current services. In other words, by the 2009 school year, the federal government will be investing \$4.6 billion (8.1 percent) less than the amount needed per pupil to sustain current educational services.

**The Administration’s Long-Term Education Budget  
Compared with Current Services**

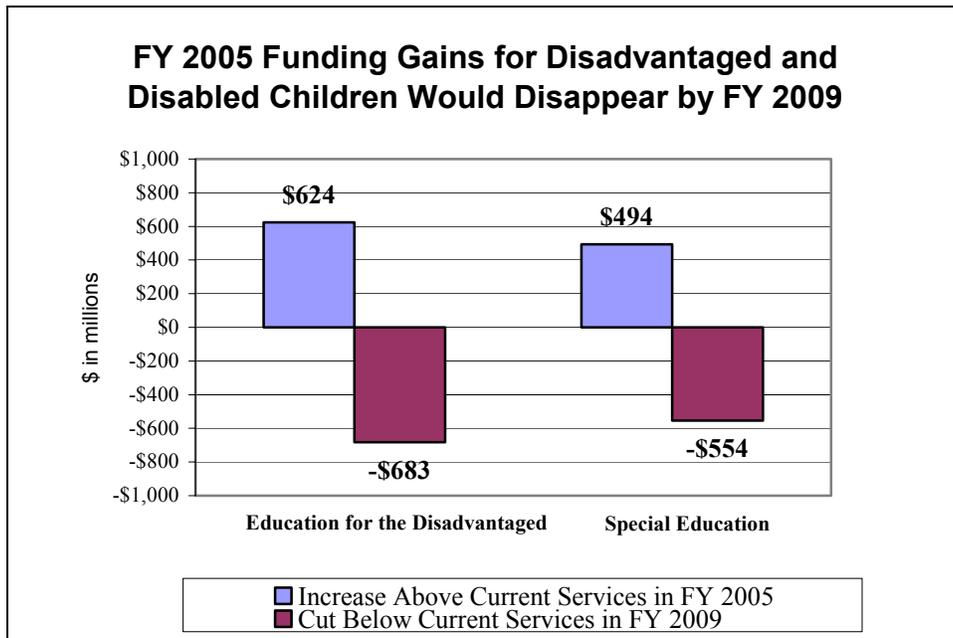
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
<i>\$ in billions</i>					
Administration Education Budget	\$57.3	\$55.9	\$55.9	\$56.2	\$56.3
Current Services Level	\$56.8	\$57.8	\$58.6	\$59.6	\$60.9
<i>Administration Education Budget Compared with Current Services</i>					
<i>Dollars</i>	\$0.6	-\$1.9	-\$2.6	-\$3.4	-\$4.6
<i>Percent</i>	1.0%	-3.4%	-4.7%	-6.1%	-8.1%

<sup>1</sup> In this analysis, current services levels are calculated by adjusting OMB’s baseline budget projections, which include an adjustment for inflation, for student enrollment based on enrollment projections published in 2003 by the National Center for Education Statistics.

### ***Disadvantaged and Disabled Children Left Behind***

The Bush Administration’s plan to put education funding on a downward spiral after FY 2005 offers local schools no real hope that the federal resources promised by the President to fund the substantial federal mandates in the No Child Left Behind Act and Individuals with Disabilities Education Act will be forthcoming. Title 1 and IDEA grants are the primary channels of federal assistance to improve the scholastic achievement of disadvantaged and disabled students, and comprise 40 percent of the Department of Education’s discretionary budget. Thus, it would be difficult to exempt them from the reductions slated for the overall budget without forcing huge cuts in other priority education investments, including teacher training and student financial aid.

While the Administration’s FY 2005 budget includes an increase in the “Education for the Disadvantaged” funding that supports Title 1 grants, within four years, these programs would be cut \$683 million below current services. Similarly, while the Administration’s FY 2005 budget increases the “Special Education” account, by FY 2009, the gains would disappear. Funding for IDEA in FY 2009 would be cut \$554 million below current services, putting the goal of “full funding” of special education even further out of reach.

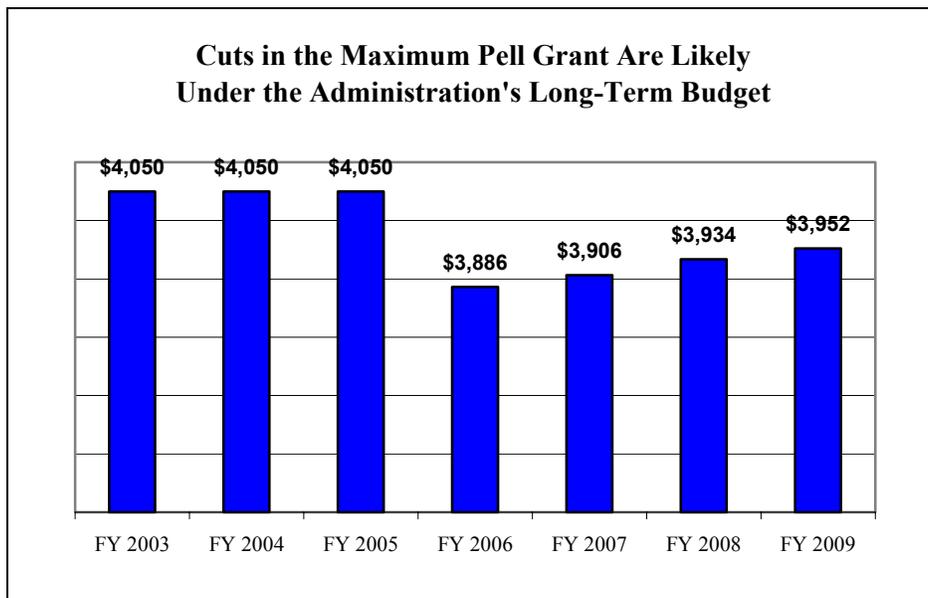


### ***Millions of College Students Left Behind***

The dream of a college education will be lost for millions of low-income students under the President’s budget. It cuts federal discretionary resources for “Student Financial Assistance” sharply in actual dollars from \$14.7 billion in FY 2005 to \$14.3 billion in FY 2006 - a cut of \$327 million - and then increases them slightly to \$14.4

billion by FY 2009. Nearly 90 percent of discretionary student financial assistance funding is allocated to Pell Grants, targeted to the lowest-income students.

The purchasing power of Pell Grants has already declined dramatically. Yet, at time of exploding college tuition costs, the Administration proposes to freeze the maximum Pell Grant at \$4,050 for the 3<sup>rd</sup> consecutive year.<sup>2</sup> This grant level amounts to 34 percent of estimated annual costs for a 4-year public college in 2005 compared to 72 percent in 1976. Between FY 2006 and FY 2009, over 5 million Pell Grant recipients would see even further erosion in their grants. If Pell Grants are cut at the same rate as all student financial assistance in the Administration's budget, the maximum Pell Grant would be reduced by about \$160 in FY 2006.



A dark cloud looming over the Pell Grant Program is a critical \$3.7 billion shortfall caused by an unanticipated increase in students qualifying for Pell Grants between 2002 and 2004. While the Administration has admitted that its FY 2005 budget ignores the problem, it is unclear whether its FY 2006 – FY 2009 budgets include any funds to pay off the shortfall. If the Administration has not budgeted the necessary funds to pay off the program's deficit, the \$3.7 billion shortfall will continue to hang over the program for years to come. Another possibility is that the Administration intends to pay off the shortfall from the declining student financial assistance budgets between FY 2006 and FY 2009, which would drain even more from grants to students.

<sup>2</sup> The Administration's FY 2005 budget also includes a pilot program to provide "enhanced" Pell Grants of up to \$1,000 to qualified students. About 36,000 students – less than 1 percent of all Pell Grant recipients – would receive these awards, which would be allocated on a different basis than the regular Pell Grant.

## *Conclusion*

Despite the President's assertions that education is a top priority, the Administration's out-year budget numbers reveal that education programs do not escape the chopping block. Federal education investments will be left behind beginning in FY 2006. By FY 2009, discretionary education funding would fall \$4.6 billion below the amount needed to sustain educational services at current levels, adjusting for inflation and growth in student enrollments. Schools facing tough federal mandates for student testing, teacher quality and accountability under the No Child Left Behind Act would not see the federal assistance they need to raise the academic performance of all students. Millions of low-income, academically qualified students with college aspirations face the prospect of dwindling federal help when they need it most. The Administration's plan to lock in these budget cuts under binding appropriations caps clearly signals that the increased federal resources for education the President promised when he pledged to "leave no children behind" will, in fact, be left behind after the election-year spike in his FY 2005 budget.